

# SRI TRANG GLOVES (THAILAND) PLC

No. 82/2022  
8 August 2022

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Rating:</b>	A
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 23/05/22

### Company Rating History:

Date	Rating	Outlook/Alert
23/05/22	A	Stable
18/10/21	A-	Positive
15/06/21	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Sri Trang Gloves (Thailand) PLC (STGT) at “A” with a “stable” outlook. The rating mirrors the rating on Sri Trang Agro-Industry PLC (STA) as STGT is a core subsidiary of STA (rated “A/Stable” by TRIS Rating). At the same time, TRIS Rating assigns the rating of “A” to STGT’s proposed issue of up to THB1.5 billion senior unsecured debentures. The proceeds from the new debenture issuance will be used to support STGT’s planned capital expenditures.

TRIS Rating’s assessment of STGT’s stand-alone credit profile (SACP) remains at “a” level. The SACP continues to reflect the strong financial performance of STGT in 2021, in line with TRIS Rating’s projections. We view STGT as a core subsidiary of STA, which means the rating on STGT is assigned at the same level as that on STA according to TRIS Rating’s “Group Rating Methodology”. STGT’s core subsidiary status reflects a strong parent-subsidary relationship between the two entities. The core subsidiary assessment also takes into consideration the high level of business integration between STGT and its parent company.

In the first three months of 2022, STGT’s total operating revenue shrank by 54% year-on-year (y-o-y) following a sharp drop in average selling prices (ASPs) of rubber glove products. Earnings before interest, taxes, depreciation, and amortization (EBITDA) also dropped by 86% y-o-y to THB1.6 billion. STGT reported a net profit of THB1.1 billion, compared with THB10.1 billion in the same period of the prior year.

Going forward, we expect STGT will continue delivering sound operating performance despite potential challenges in the rubber glove business. The company’s strategy is to add new products with high-margin and innovative products such as surgical gloves and protein allergen-free latex gloves on top of existing examination gloves. We project STGT’s total operating revenues will drop by 42% y-o-y in 2022, then grow by 8%-22% in 2023-2024 as ASPs of gloves are likely to decline by 55% y-o-y in 2022 and remain flat during 2023-2024. Declining prices are mainly the result of capacity expansions among the existing players and new entrants to the industry. We expect STGT’s gross margin will drop to 20%-23% in 2022-2024.

## RATING OUTLOOK

The “stable” outlook reflects the rating outlook on STA. We expect STGT will maintain its competitive position in the rubber glove industry, with prudent management of raw material cost, foreign exchange risk, as well as sufficient liquidity to cushion the effects of volatile natural rubber prices. We also expect STGT’s status as a core subsidiary of STA will remain unchanged.

## RATING SENSITIVITIES

The rating on STGT will move in tandem with the rating on STA. However, its SACP could strengthen further if the company stabilizes cash generation and profitability while maintaining a strong balance sheet on a sustained basis.

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**RELATED CRITERIA**

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- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021

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**Sri Trang Gloves (Thailand) PLC (STGT)**

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<b>Company Rating:</b>	A
<b>Issue Rating:</b>	A
Up to THB1,500 million senior unsecured debentures due within 10 years	
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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